PROVINCIAL CAPITAL COMMISSION

SERVICE PLAN

For Fiscal Years 2006/07 – 2008/09

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LETTER FROM THE CHAIR

Honourable Olga Ilich
Minister of Tourism, Sport and the Arts

Dear Minister Ilich:

2006 marks the fiftieth anniversary of the Provincial Capital Commission (PCC) and its predecessor organization, the Capital Improvement District Commission. I would like to take this opportunity to recognize the past boards and employees of the PCC for their accomplishments that go all the way back to the 1950's. The PCC has played an important part in making the Capital of our province one of Canada's most beautiful and memorable cities.

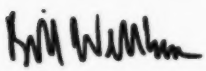
The PCC is dedicated to connecting and celebrating with all citizens of British Columbia, wherever they may live, the diversity of culture and rich history of the province and its capital. This service plan will be placing particular emphasis on programs involving the children and youth of British Columbia. We believe the PCC can play a role by engaging young British Columbians in learning about their province and Capital.

As custodian of heritage assets and properties around Victoria's Inner Harbour, the PCC recognizes its responsibility for maintaining and enhancing one of the province's defining sites. For millions of visitors it is more than a point of entry, it is a striking identity of British Columbia's Capital City. The opportunity and impetus is there to make it even more inviting by reflecting more of the culture and history of the province.

Governance best practices and sound corporate management will continue to be a Board focus. The challenge remains of balancing self-sustainability with the obligations of responsibly managing important heritage assets. Our planning includes the consideration of market conditions and the need to generate sufficient revenues to create and deliver effective outreach programs that fulfill our mission. Exciting opportunities exist to capitalize on major government and community initiatives such as the 2010 Olympics and developments on the Inner Harbour.

We remain committed to planning for the future. We remain in touch with the needs and aspirations of the people of our province as we continue to grow the Capital into the lives of all its citizens.

The 2006/07 – 2008/09 Provincial Capital Commission Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identified risks as of January 17th, 2006 have been considered in preparing the plan. I am accountable for ensuring the Provincial Capital Commission achieves its specific objectives identified in the plan and for measuring and reporting actual performance. The performance targets in this plan have been determined based on an assessment of the Provincial Capital Commission's operating environment, forecast conditions, risk assessment and past performance.



Bill Wellburn CA
Chair.

OVERVIEW OF THE ORGANIZATION

Enabling Legislation and Mandate

The Provincial Capital Commission is a Crown Corporation created in 1956. The *Capital Commission Act* currently provides the PCC with powers that focus principally on real property and beautification throughout the Capital Improvement District. At the direction of government, the mandate of the PCC was expanded in 2003 to include a broader province-wide mandate of engendering a sense of pride by all British Columbians in their Capital and province.

Core Business Areas and Programs

Core business activities of the Commission include:

- Stewardship of our heritage, Inner Harbour and open space properties.
- Delivery of outreach and engagement programs that connect British Columbians with their Capital, and the Capital with all British Columbians.

Location

The Provincial Capital Commission offices are located at 613 Pandora Avenue in Victoria, BC.

Governance

A Board of Directors, appointed by the four core municipalities of the Capital Improvement District and the Province, provide policy direction, strategic leadership and oversight of the Provincial Capital Commission. The Chief Executive Officer, a position appointed by the Board, manages the implementation of the PCC's Service Plan. The Board is accountable to the Legislative Assembly through the Minister of Tourism, Sport and the Arts.

The Board of Directors has adopted principles included in the Commission's Governance Manual that provide an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment:

- Stewardship, Leadership and Effective Functioning of the Board
- Clarity of Roles and Responsibilities
- Accountability and Performance

Board Membership at January 17th, 2006.

Name	Position	From	Appointed
Bill Wellburn	Chair	Victoria	Order in Council
Beth Campbell	Vice Chair	Penticton	Order in Council
Basil Boulton	Director	Esquimalt	Esquimalt Council
Barbara Brink	Director	Vancouver	Order in Council
Allan Cassidy	Director	Oak Bay	Oak Bay Council
Jane Durante	Director	Vancouver	Order in Council
Christopher Fairbank	Director	Nelson	Order in Council
Bob Gillespie	Director	Saanich	Saanich Council
Rob Hunter	Director	Victoria	Order in Council
Pamela Madoff	Director	Victoria	Victoria Council
William Oppen	Director	Dawson Creek	Order in Council
Matt Vickers	Director	Hazelton	Order in Council
Leif Wergeland	Director	Saanich	Saanich Council
Geoff Young	Director	Victoria	Victoria Council

STRATEGIC CONTEXT

Vision

Connecting and celebrating the Capital with every British Columbian.

Mission

Delivery of programs that connect British Columbians to their Capital, and foster pride and awareness of the diverse cultures and rich history of their province.

Responsible stewardship of public assets.

A self-sustaining Crown corporation.

Values and Guiding Principles

Act with integrity by operating with openness, fairness and transparency.

Be respectful, inclusive and accessible.

Think, plan and act long-term.

Be socially responsible in everything we do by promoting long-term financial and economic sustainability, a healthy environment and the well-being of all citizens.

Balance the needs of the Capital and the province-wide mandate.

Recognize and support the diversity of British Columbia's cultures, landscapes and history.

Manage the balance between our heritage properties and our province-wide mandate.

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

Building on previous Service Plans, the Board has identified three strategic goals over the next three years consistent with its vision and mission. These are:

- Create an embracing concept of the Capital for all British Columbians.
- Optimize opportunities and revenues from all PCC assets to fund outreach programs.
- Implement and adhere to governance and corporate best practices.

Opportunities

The PCC's program delivery and property stewardship will take place within an exciting environment characterized by future opportunities brought through plans and initiatives such as the 2010 Olympics, the 2008 BC 150th Anniversary, the 2008 North American Indigenous Games, and the revitalization of PCC owned properties that showcase the Capital on the Inner Harbour. Moving beyond the Capital region to engage citizens across the province is viewed as a great opportunity and will grow as resource capacity is expanded.

Risks

On the program side, risks include creating and delivering successful programs of this nature without undue and costly reliance upon external resources. The capacity to deliver programs centres on the abilities of the Board, management, staff and contracted resources working together. Financial resources for programming derived from PCC property assets is increasing but will continue to be limited in the short term until revenue potential from properties is fully optimized. Therefore, the Commission will aggressively pursue funding partners and sponsors in order to mount major events such as Signature Programs.

On the property side, potential risks include operating revenue from commercial activities and capital funding required for remediation and maintenance of heritage assets. Revenue risks include factors that impact the Capital's economy, including tourism, and future growth is also linked to the PCC's ability to optimize under-utilized property assets. Capital risks are driven by limited funding availability within PCC reserves to address structural remediation and maintenance of its heritage assets. Revenue risks will be managed through revenue opportunities and expenditure restraint. Capital risks are being managed through structural assessments and prioritizing ongoing maintenance within available resources.

In terms of governance, the capacity to implement and adhere to governance and corporate best practices is resident within the leadership and competencies of the Board and supporting staff.

SERVICE PLAN STRATEGIC GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

The 2006/07-2008/09 PCC Service Plan reflects the commitment to focus on three key strategic goals.

Goal 1: Create an embracing concept of the Capital for all British Columbians

This is to be achieved by creating a concept of the Capital as the historic and cultural centre of the province through strategies and programs that extend to all citizens of the province. During the period covered by this Plan the focus will be on outreach, engagement and communications to encourage the citizens of British Columbia to develop a lifelong appreciation of their Capital and whenever possible to participate in programs that connect the regions to the Capital. The program delivery to achieve this goal will emphasize youth and children, history/ heritage, culture, Aboriginal peoples, and civic commitment.

Strategies:

- Implement communications programs to reach the targeted audiences and promote the Capital through such initiatives as student visits that involve active participation.
- Assess the impact and cost/benefit of outreach strategies through internal monitoring and external surveys, and redesign or refine the products and processes accordingly.
- Reach out to Aboriginal peoples by facilitating opportunities and working in partnership with representative bodies on such projects as the North American Indigenous Games 2008.
- Secure partnerships and/or sponsors to stage "Signature Programs" that will become corporate marks of the PCC.
- Implement a series of child and youth focused outreach, engagement and communications strategies to connect this provincial population to their Capital and engage them in activities that manifest this connection.
- Connect the regions to the Capital by providing the opportunities and support for having the Capital represented in the regions and a meaningful presence of the regions in the Capital, such as through the Capital Connects and Youth Connects programs.

Performance:

Successful performance in outreach and engagement strategies will be determined by the awareness of the PCC and its programs among citizens of the province, numbers and percentages of citizens that respond to or participate in the various outreach initiatives, and a determination of the enriching effect of these experiences. Performance measures will also attempt to take into consideration the economic feasibility and cost/benefit of program options.

	Performance Measures	2004/05 Actual	2005/06 Forecast	2006/07 Target	2007/08 Target	2008/09 Target
1.	Percentage of BC population: [1]					
	a. aware of the Provincial Capital Commission and its role in connecting British Columbians with their Capital	Develop survey and establish baseline	15% (baseline)	17%	19%	21%
	b. with a sense of pride and history in our provincial capital	Develop survey and establish baseline	77% (baseline)	79%	81%	83%
2.	Engagement in PCC Outreach and Engagement Programs targeted for children and youth	No data	Establish baseline	+5% from base	+8% from base	+10% from base
3.	Description and cumulative number of new outreach-related initiatives	0	2	4	6	8

[1] Baseline based on omnibus survey completed September 2005.

Goal 2: Optimize opportunities and revenues from all PCC assets to fund outreach programs

In order to achieve the goal of a financially viable, self-sustaining service delivery Crown Corporation it is critical to ensure that assets and properties held in the public trust be dealt with in a manner that is consistent with responsible stewardship as well as the mission, values and guiding principles of the PCC.

Strategies:

- Continue stewardship role of PCC-owned property on the Inner Harbour of the Capital.
- Continue to identify opportunities for cost savings efficiencies for building and property expenses to mitigate cost pressures against net income targeted for outreach programs.

- Update and implement plans for operating and capital maintenance for sustaining commercial properties and for remediation or changes to properties required to enhance their revenue or potential to showcase the Capital.
- Follow sound risk management practices by implementing plans to manage property risks that could result in loss of use, value, revenue or cost exposure to the PCC through setting priorities for mitigation strategies considering cost/benefit implications.
- In consultation with government, develop an implementation plan to complete seismic and structural remediation of the CP Terminal Building and Tourist Information Centre, subject to source financing availability.

Performance:

Performance in this area will be measured by monitoring the extent to which each individual property is utilized and generating revenue relative to historical performance and comparative market potential. New ideas to derive additional opportunities will be developed for each property and will be reviewed twice a year.

	Performance Measure	**2004/05** Actual	**2005/06** Forecast	**2006/07** Target	**2007/08** Target	**2008/09** Target
1.	Annual revenue from all assets	$2,482,766	$2,551,000	$2,900,000	$2,975,000	$3,000,000
2.	Number of commercial heritage buildings fully utilized (5 total)	1	2	3	4	5
3.	Cumulative annual savings realized from cost savings efficiencies on building and property expenses (2% annual)	Establish baseline	$20,000 (baseline)	$40,000	$60,000	$80,000

Goal 3: Implement and adhere to governance and corporate best practices

Sound governance provides clear policy direction, establishes appropriate roles and responsibilities and maintains accountability. Assurance is provided by management through implementing best practices, including efficient and effective management of human resources, comprehensive corporate-wide risk management and thorough, meaningful and accurate reporting.

Strategies:

- Continue with policy-setting agenda of the Board.
- Monitor progress on implementation and effectiveness of corporate risk management plan and practices.
- Continue to improve management and financial reporting in accordance with best practices to effectively communicate information to the Board, Committees, management, and external stakeholders for information and decision making-purposes.
- Utilize staff and contract resources efficiently and effectively relative to the size of operations in achieving governance objectives.
- Continue annual evaluations of the Board, Board Chair and CEO.
- Review Board governance model to identify opportunities for improvement.

Performance:

Measures will include annual evaluation of the timeliness and accuracy of quarterly management reporting on annual operating plan results, with reasons for any deviation from planned performance and success in achieving stated targets.

Success will also be measured through annual performance evaluations based on the achievement of Board and Committee Outputs, and the effectiveness of governance practices including risk management.

	Performance Measure	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
		Actual	Forecast	Target	Target	Target
1.	Management and financial reporting timely, accurate and transparent, and meets needs of Board, management and key stakeholders	New Measure	Achieved	Achieved	Achieved	Achieved
2.	Board governance effectiveness determined by meeting relevant Board Resourcing and Development Office guidelines to corporate governance practices.	New Measure	100% of relevant guidelines met	100% of relevant guidelines met	100% of relevant guidelines met	100% of relevant guidelines met

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The 2006/07-2008/09 Service Plan of the Provincial Capital Commission directly supports the following Government strategic goals:

Provincial Goal: To make BC the best educated, most literate jurisdiction on the continent.

PCC Alignment:

- Outreach program components address and encourage knowledge of British Columbia's rich history and diverse cultures.
- The PCC operates a National Historic Site, St. Ann's Academy, which offers interpretive and education programs.
- The new privately-operated B.C. Experience located in the heritage Crystal Garden is scheduled to open in May 2006 and will provide a significant opportunity to advance knowledge of the province's geography, economy and resources.
- Participation in planning the 2008 North American Aboriginal Games will bring opportunities to educate citizens and visitors about our rich aboriginal heritage.

Provincial Goal: To create more jobs per capita than anywhere else in Canada.

PCC alignment:

- Outreach programming and showcasing the Capital will promote economic activities throughout the province.

FINANCIAL OUTLOOK SUMMARY

PCC Financial Outlook Summary - Service Plan 2006/07-2008/09

$ Thousands	**2004/05** Actual	**2005/06** Forecast	**2006/07** Budget	**2007/08** Forecast	**2008/09** Forecast
Revenue	3,181	2,551	2,900	2,975	3,000
Expenses	(3,672)	(2,486)	(2,850)	(2,925)	(2,950)
Operating Income (Loss)	(491)	65	50	50	50
Funded from Reserves:					
Greenways/Beautification Projects	(183)	(110)	(51)	-	-
Capital Expenditures [1]	(377)	(3,500)	(100)	(100)	(100)
Capital Recoveries					
Provincial Contribution [2]	-	1,500	-	-	-
Other [3]	-	700	175	-	-
Retained Earnings (end of year)	1,635	550	800	900	1,000
Full Time Equivalents *(excluding auxiliaries)*	17	14	12	12	12

Notes:

1. Capital expenditures are amortized against future year's operating income in accordance with generally accepted accounting principles and fully recovered through tenant income and capital recoveries. 2004/05 actual and 2005/06 forecast includes a total of $3.6 million for remediation of the Crystal Garden.
2. 2005/06 contribution for up to $1.5 million from the Ministry of Tourism, Sport and the Arts for unanticipated building remediation costs at the Crystal Garden.
3. Other includes capital recoveries from third parties, including tenants.

Overview of Revenue and Expenses:

The goal of the PCC is to be a self-sustaining service delivery Crown corporation through effective stewardship of the Commission's heritage properties. Income derived from properties is used to fund operating costs and Outreach Programs.

The current financial performance of the PCC is driven by:

- Revenues from tenant leases and temporary parking lots on Inner Harbour development sites.
- Efficient application of the resources required to achieve Service Plan goals.
- The cost to operate and maintain heritage buildings and open space properties.
- The net cost to operate St. Ann's Interpretive Centre and grounds.

Revenues are generated primarily through commercial activities, including property leases with commercial tenants located in the PCC's heritage buildings, and parking lots. Expenditures include both operating costs and Outreach Programs. Operating costs related directly to PCC core businesses of property stewardship and programs (including the operation of St. Ann's Interpretive Centre). Expenditures include property expenses, staff salaries and benefits, contracted service support, and other administrative expenses. Funding for Outreach Programs budgeted at $250,000 in 2005/06 will increase to $350,000 in 2006/07 and $400,000 for 2007/08 and 2008/09 based on expected revenues.

Greenways and Beautification expenditures include amounts paid and committed through restrictions of retained earnings for previously approved projects. It is anticipated that remaining commitments on active projects be paid out by March 2007.

Actual 2004/05 results include operation of the Crystal Garden Conservation Centre to September 2004.

Key Assumptions:

The PCC Financial Outlook Summary for 2006/07 to 2008/09 aligns financial and staff resources to achieve the vision, mission and goals defined within the Service Plan. Key assumptions include the following:

- Revenues are conservatively projected. Tenant income is based on existing terms under current lease agreements. Parking revenues are based on maintaining current capacity.
- Increased funding to further develop and deliver Outreach Programs targeted for children and youth is linked to revenue growth.
- Staff capacity has been stabilized to manage core business requirements.
- Provision has been made in the operating budget to allow for anticipated operating cost pressures.
- 2004/05 and 2005/06 include actual and projected capital expenditures for building remediation of the Crystal Garden; further seismic and structural remediation of heritage properties is subject to funding availability.
- The outlook increases the provision for essential capital maintenance, and achieves a targeted rebuilding of retained earnings to $1.0 million in 2008/09 to sustain ongoing PCC operations.
- The outlook includes remaining commitments on active Greenways and Beautification Projects.

In summary, increased revenue from optimization of property assets is being utilized to increase annual funding for Outreach programs and to build capacity needed to finance essential capital expenditures required to sustain PCC owned heritage buildings which showcase the Capital. Beyond 2008/09, revenue growth required to fully sustain implementation of Outreach programs will be sensitive to remediation of

remaining commercial heritage buildings, potential tenant income from performance based leases, and property development opportunities.

Forecast Risks and Sensitivities:

Under previous Service Plans, the PCC has developed an Enterprise Risk Management Plan which creates a framework to manage risks. The key risks and sensitivities to the updated PCC Financial Outlook are as follows:

- Tenant income, in particular performance-based revenue, is sensitive to factors that impact the economy of the Capital region, including tourism.
- Increased funding for Outreach Programs is linked to revenue growth from commercial properties.
- Operating expenditures are sensitive to wage increases and unanticipated property expenses beyond what has been reasonably provided for within budget.
- Revenue streams in future years may be impacted by property development opportunities.

Operating risks to revenues and expenditures will be managed through conservatism in budget assumptions and managed restraint in discretionary expenditures to the level required. Capital plan risks associated with essential maintenance of commercial properties will be managed through limited reserve capacity.

MAJOR CAPITAL PROJECT INFORMATION

Capital expenditures provided for in the Financial Outlook include building remediation of the Crystal Garden and essential capital maintenance requirements. These costs are capitalized as assets and amortized as an operating expense over their estimated useful life based on generally accepted accounting principles.

The PCC does not have borrowing authority. Capital expenditures are funded from retained earnings (reserves) or through external sources.